

# Response of the West Midlands Regional Assembly to ODPM Consultation: Planning for Housing Provision

9<sup>th</sup> September 2005

## 1. Summary

- 1.1 The West Midlands Regional Assembly's (WMRA) response to the ODPM consultation paper 'Planning for Housing Provision' is set out below. The accompanying letter also summarises the WMRA response and is endorsed by the Chairs and Vice Chairs of the Regional Planning Partnership and Regional Assembly.
- 1.2 The **Summary Box** below spells out the principle points of concern which the West Midlands Regional Assembly wish to bring to the attention of ODPM and sets out the main steps ODPM are earnestly asked to take in response to this consultation. Sections 3 and 4 following, develops these and other points in more detail.

1.	These proposals seem to have been devised to address South East of England growth pressures but are to be applied out of context in the rest of the UK, including the West Midlands. We too in the West Midlands are concerned about high price / high demand pressures and the Region now has a confirmed RSS with a set of policies to address this within long run sustainability principles. The oversimplified market led approach to addressing high demand could be very damaging to the West Midland's regional economy and implementation of its Regional Spatial Strategy.
2.	The proposals could reverse our recently approved Regional Spatial Strategy (RSS). The West Midlands RSS is seeking to halt the decentralisation of households from the Major Urban Areas. The proposed approach by ODPM is market led with the potential for increased development on greenfield sites in areas of high demand. The West Midlands RSS may be ambitious but is realistic and there is now good evidence of the Strategy beginning to work. Housing Land supply is being increased in the Major Urban Areas and private developers have shown increased interest in working within the Metropolitan areas.
3.	The Regional Planning Body must retain discretion in determining regionally significant planning issues and in interpreting national policy to regional circumstances. WMRA does not want a solely administrative relationship with the proposed National Advice Unit. There must not be a 'one size' fits all approach to regional and sub-regional housing supply and policy.
4.	WMRA supports local planning authorities working together, if based on sound empirical analysis of the housing market areas and if this is with LHAs in their work on sub-regional/joint housing market/needs assessments and strategies as ODPM have encouraged elsewhere. Whilst joint DPDs are welcome it should be acknowledged that this will be challenging for authorities and it would be helpful to consider whether any inducements could be offered to them.
5.	WMRA welcomes the proposed approach to HMAs, which are a key feature of the new Regional Housing Strategy 2005, but concerns were felt about whether the proposed changes are sufficiently flexible to deal with the HMAs in our Region which are varying mixtures of 'low demand' or 'growth' rather than being all one or all the other.

## 2. Detailed WMRA Response

- 2.1 The opportunity to comment on these far reaching proposals is appreciated though the length of time given for the response is strongly felt to be too short, and inhibits the process of genuine consultation. The ODPM document gives a set of principles and proposals which pave the way for fundamental change to the approach to determining housing land release through the planning system. This is noted with grave concern as to the anticipated consequences for the West Midlands Region and the Regional Spatial Strategy and Regional Housing Strategy.
- 2.2 Rarely is it appropriate to refer to a document as historic, or of major significance, in the development of policy. However the gravity and scale of potential change this consultation paper introduces warrants understanding it in these terms. It changes, in a fundamental way, the basis upon which planning decisions on residential land release will be made.
- 2.3 Until now the planning system has guided market forces by balancing a range of factors in a political decision making context. Under these proposals the level of market prices, and their rate of change, will determine housing land release. Sustainability and environmental considerations are intended still to play a part but the detail is missing. The inference is that these will be applied to guide development to the 'least worst' spatial options. It seems unlikely the new approach will allow the RPB or LPAs to altogether reject the 'demand led' land release on sustainability grounds should they be minded to consider this appropriate. **Further clarity on this is required from ODPM before the Regional Planning Body could respond fully and finally on this proposal.**
- 2.4 In addition, for the West Midlands RSS, the ODPM proposals effectively appear to reverse the housing 'step change' Regional policy recently confirmed. **As such, ODPMs proposals will most likely undo the current RSS and begs serious questions about the Government's understanding of, or commitment to a sustainable future for the West Midlands conurbation and wider Region.** Despite references in the paper to the ongoing importance of sustainability assessments, these major implications lie at the core of the concerns expressed here.
- 2.5 The West Midlands Regional Spatial Strategy may be ambitious but is realistic and there is now good evidence of the Strategy beginning to work. Housing Land supply is being increased in the Major Urban Areas and private developers have shown increased interest in working within the Metropolitan areas, for example, more executive homes being built in the conurbation. However, in consultation over both the RSS and Regional Housing Strategy 2005 private developers have made it clear that they would prefer to see a greater release of greenfield sites outside the conurbation. WMRA fears that the proposals within the consultation paper will both undermine developer confidence within the Major Urban Areas, thus undermining regeneration in these areas and lead to demands for an ever increasing land release and further decentralisation within the Shire Counties, as greater land release is encouraged where prices are high. **This proposed approach appears to be highly unsustainable and wholly against the principles of the West Midlands RSS.**

- 2.6 The proposals are in the main, on the Government's own statements, designed to address the growth pressures of the South East. The application of the housing market area designations of High growth, Managed, Low growth, and 'managed reduction' may have some resonance in the South East (low growth, or managed reduction excepted), but this raises important considerations as to how these designations would apply in the West Midlands. The concept of an area of 'managed decline' seems to introduce a spatial policy concept which has no other reference in current urban or regional policy. It is not the concept behind Pathfinders or Areas of Low Demand / Housing Market intervention. **ODPM is asked to reconsult on these issues again when they have explained in more detail what they could mean.**
- 2.7 The housing trajectories attached to these designations are to be a key feature, of the new 'market price' lead system, but **it needs to be made plain by ODPM that they could be used flexibly depending on the housing market needs and the nature of each of the (sub – regional) Housing Market Areas.** For example, could the trajectory be treated as a floor, a floor with a limit to over-provision, or a ceiling in accordance with current RSS policy?
- 2.8 If the increase in housing supply is to be applied simply wherever house prices are higher than a regional or national average, thereby implying an unmet pent up demand, then the West Midlands RSS will be severely undermined. This would not only accelerate the out migration from the conurbation leading to social polarisation and increased trends towards ethnic segregation; it would undermine the Black Country vision, the Pathfinder interventions, and Coventry's regeneration. Current efforts at housing market renewal in the Major Urban Areas would falter. By the same token it would increase the development of owner occupation in the Herefordshire, Worcester, South Warwickshire arc, probably to the detriment of the environment, and local services, accentuating traffic problems and requiring more infrastructure expenditure. **WMRA would welcome a more balanced description of how the policy could be used.**
- 2.9 The principle of Local Planning Authorities working together, especially in joint DPDs, to address functional housing market areas is welcome. **However, ODPM gives no recognition in this paper, unlike other recent consultation documents, for the need for Planning and Housing Authorities to work closely together. Neither does ODPMs document require LPAs to tie their understanding of Regional and sub regional housing markets with the shared evidence base and analysis which will now underlie the RSS and RHS. ODPM need to rectify this and acknowledge the work achieved by Regional Housing Boards in developing well evidenced and well aligned, Regional Housing Strategies.** The Housing Market Area approach referred to in the ODPM document should support the delivery of the RSS and Regional Housing Strategy. It is these Strategic documents that should form the strategic policy context for joint or cross authority working in both local housing strategy and Development Plan Documents. There may need to be some sub-division of the West Midland's RHS HMAs, (now carried forward into the West Midlands RSS implementation by virtue of paragraph 6.25<sup>1</sup> of the RSS), to allow the ODPM 'trajectory management' approach to be adopted.

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<sup>1</sup> RSS para 6.25 written in anticipation of the defining of the HMAs, applies these to RSS policy CF5 'Delivering Affordable Housing and Mixed Communities'.

2.10 In the West Midlands whereas there has been a continual under supply of affordable housing over recent years, the supply of new market housing has been running ahead of Regional requirements in several places. This should simulate the anticipated conditions in which the Barker solution expects to be applied. This raises the question as to whether this oversupply has depressed prices or satisfied demand. **The evidence does not look supportive of the Barker and ODPM expectations.** Despite the assurances of some housing economists promoting the Barker free market model, of 'more supply equals lower or stabilised prices', there is real concern that the housing market does not operate in this way. It seems not to account for housing increasingly being 'a consumable', and that places have a "brand" value which people buy into above the brand's apparent inherent value. More supply may just mean more demand unleashed and no guarantee that if lower house prices were achieved it would result to bring a greater proportion of housing within the reach of low income families. This perspective leads to concerns of a potential future scenario of an unyielding National Advice Unit requiring the RPB and LPAs to release more housing into such areas until the reasons for their attractiveness have been lost. **ODPM's assurances are sought to that this is not the way the new system will operate.**

### 3. Further Detailed Responses

3.1 There are several other areas of concern which the WMRA wish to bring to the ODPM's attention:

3.2 Notwithstanding the forgoing comments, there remain some areas of real disquiet about the Government's rationale used to justify these radical proposals. Such a radical change from the more balanced approach which characterises the current planning system might be justified if there was clear evidence to lay the blame for housing shortages at the door of the planning system. However, despite the voluminous analysis by Kate Barker and her Treasury team, **Government has never satisfactorily addressed the twin facts (acknowledged in the Report)** that:

- the fall in total housing supply over the past 50 years can be wholly accounted for by the fall in construction of publicly subsidised housing, and that the private market house-building rate has remained at a fairly constant level over the same period.
- In this context, the new approach advocated in 'Planning for Housing Provision' assumes that the release of land for housing will result in an increase in house building rates to meet demand, ignoring the industry's other interests in controlling the rate of flow of completions of new houses to (at the very least) maintain price levels and match its productive capacity.

3.3 Much of the ODPM's criticisms of planning and its shortcomings, such as the comment that "many" local authorities do not actively manage their housing supply to ensure sufficiency is not supported in the West Midlands.<sup>2</sup> The evidence here is to the contrary.

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<sup>2</sup> E.g. see WM RSS Annual Monitoring Report 2004 (WMRA2005), and Supplementary Report 'Plan, Monitor, Manage' provision of Housing in the West Midlands: 2004 (WMRA2005).

3.4 The noticeable and serious shortfall in social housing construction as Governments have sought to reduce expenditure, has unsurprisingly led to shortfalls of affordable housing supply in many places, but that, and affordability issues cannot be laid at the door of the planning system.

3.5 In addition, it is felt these proposals will result in:-

- An adverse shift in the balance of power against communities in favour of housebuilders. For example, efforts in the West Midlands to reduce and eventually eliminate net out-migration from the metropolitan area to the rest of the Region would almost certainly suffer as house building increased in the areas of high demand in the Shire Counties. It would become increasingly difficult to interest housebuilders in redeveloping and refurbishing housing in the Major Urban Areas, this would be detrimental to Urban Renaissance in the Region and would unravel successes already achieved by the RSS in bringing executive homes to the conurbation,
- The inevitable unsustainability of this approach requiring its eventual reversal, but at what cost to urban renaissance and ruined environment,
- Pressures to develop easier greenfield sites rather than more complex brownfield sites where time and remediation are needed,
- Rolling provision discouraging brownfield investment and encouraging greenfield development,
- adverse adjacency effects that need to be capable of being managed and not over ridden by a Government requirement to deliver specific numbers of new properties to meet affordability ratio targets,
- The type and mix of housing to be consistent with the recently identified RHS requirements and deliver the range of housing choices needed in each distinct sub regional HMA, or more local community, not to add more of what the market has already provided where this is not the priority, and
- An expectation that the private sector will perceive the newly proposed regime as a practical switch of policy emphasis, despite protestations to the contrary, so that current profitability of brownfield land remediation in the conurbation will be undermined.

3.6 The WMRA requests that the ODPM give,

- A more balanced description of how the new policy could be used, expanding on how to ensure that areas where demand is weak or declining do not suffer from over-supply,
- Further guidance on how affordable housing could be delivered in sufficient amounts through the new policy would also be helpful. It is noted that whilst affordable housing features in the approach it does not appear to be the main driver and there is little evidence that the measures proposed will make much positive impact on the affordability problem.
- Full assurances that the prospect of building houses for which there is no demographic demand, only an economic one, will be accepted as grounds for not continuing to drive up housing numbers,
- Facilitate sensible local planning timescales to work through the implications of the new approach and not be forced into ill considered responses to a Government led future timescale for implementation, and
- Clear indications and guidance on how ODPM intends to meet affordable and social housing needs as reliance on the planning gain negotiations is limited.

- Acknowledge the over reliance on planning gain to deliver affordable housing and social housing is another concern as planning gain will not deliver enough affordable housing, nor will it all be in the right place.

3.7 There is very little reference in the consultation document to the relationship between planning and the work of RHBs and Regional Housing Partnerships, thus for example, Regional Housing Strategies are not referred to. This lack of joined up thinking seriously undermines the extensive work and relationship building which has taken place in the West Midlands between planning and housing and of the shared evidence base work which supports both the Regional Housing Strategy and Regional Spatial Strategy Partial Review.

#### 4. Conclusions:

4.1 The new approach to planning for housing provision advocated in the consultation runs counter to the Strategy so recently approved by Government in the RSS for the West Midlands and reinforced in the Regional Housing Strategy 2005. Therefore, whilst this approach may be applicable to other parts of the country, it should not be applied to the West Midlands Region. Alternatively, if Government persist with a 'one size fits all' approach then it will trigger an immediate need for wholesale replacement of the RSS, overriding all other review work currently in preparation.

4.2 A national spatial perspective is urgently required which provides a clear understanding of different circumstances and levels of housing requirement in different parts of the country. A standard set of national planning guidance is not appropriate in this case and there needs to be advice for the different regions of the country, depending on their local circumstances, with flexibility given to Regional Assemblies, as RPBs, to respond in sustainable ways to the different circumstances within their own areas. This advice has to include a consideration of the interrelationships between housing markets in adjacent regions.

4.3 Demographic projections should remain an important consideration in determining the level of housing proposals for a region or sub region. These should take into account the implications of an ageing population, the growth in one person households and the effects of large volumes of international migration.

4.4 In order to minimise damage to the Regional Spatial Strategy **ODPM is asked to give policy guidance to allow the West Midlands RPB to,**

- Classify Major Urban Areas for Growth, and foci for managed growth and maintain ceilings elsewhere,
- Control the definition of housing market areas,
- Treat housing market area boundaries as permeable and take account of proximity,
- Respond to demand in adjacent housing markets,
- Secure the role of the RHB working with the RPB to ensure the translation of market signals into the housing mix, tenure and types that are directed at sustainable, socially balanced communities,
- Deal with the interrelationships between low demand and high demand areas,

- Rigorously monitor house prices in the Region, particularly the affordability of houses for those in the lower quartile, as this is where the impact is greatest and where the need for affordable housing is greatest.

4.5 WMRA also urges ODPM:

- a. To publish its consultants final research documents behind the proposals for the affordability econometric model and the sustainability modelling,
- b. To explain how these are to be worked together at the Regional and sub regional level, and
- c. To resource RPBs to undertake sensitivity testing on the proposed approach prior to the adoption of ODPMs proposals, especially in areas of high priced housing, (e.g. the South and West Housing Market Areas of the West Midlands Region using the intended model to understand the implications for the market, infrastructure and the environment that would result from increasing the supply of homes in Stratford, for example; to establish how many homes would need to be built in order to reduce housing prices, or the rate of price rises, over what period and spatial area).

4.6 The WMRA requests that ODPM respond to these matters raised in this response and accompanying letter. The WMRA / RPB secretariat would welcome an opportunity to explain these concerns further in relation to the West Midlands if ODPM officials felt this would be a useful means of forging mutually acceptable proposals.

**Contact:** Steve Forrest  
Strategic Housing Advisor  
WMRA  
Tel: 0121 678 1064  
Email: [s.forrest@wmra.gov.uk](mailto:s.forrest@wmra.gov.uk)

Emma Kiteley  
Regional Policy Officer,  
WMRA  
Tel: 0121 678 1037,  
Email: [e.kiteley@wmra.gov.uk](mailto:e.kiteley@wmra.gov.uk)